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Soviets may cut defense spending, U.S. agencies say

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WASHINGTON — Two U.S. intelligence agencies, in a new report to Congress, say that Soviet leader Mikhail S. Gorbachev soon may have to cut military spending if he hopes to fulfill ambitious plans to upgrade his nation's high-tech and consumer-products industries.

The reason, according to the report, is that the Soviets do not have the finances and trained personnel to restructure their civilian manufacturing industry and to design and build a new generation of weapons at the same time.

"If I am correct, Gorbachev's efforts may be doomed unless there is a real cutback in defense," said Sen. William Proxmire (D., Wis.), when he released the report last week.

The report is a declassified version of an intelligence study presented March 19 by CIA and Defense Intelligence Agency (DIA) officials to the Joint Economic Committee, of which Proxmire is a member.

The report says Gorbachev may be able to delay his most difficult decisions concerning massive replacement of outdated industrial plants and equipment until the early 1990s. The Soviets now have enough industry capacity to maintain, and even increase, weapons production for about six years, according to the report.

"Thus," the report says, "Gorbachev can 'coast' for a few years on the strength of the U.S.S.R.'s past investment in its military industrial complex, which will permit the continued modernization of the U.S.S.R.'s strategic and conventional forces."

During this time, however, Gorbachev must succeed in his efforts for rapid technological advancement in order to retool the Soviet military industry in the 1990s to manufacture a new generation of weapons, which the CIA believes the Soviets already have on the drawing boards.

"Unless Gorbachev's efforts to modernize industry pay off in greater numbers of more advanced,

high-quality equipment and in substantially increased productivity, Gorbachev will need to reconsider his overall economic strategy," the report says.

The intelligence agencies differed in their assessments of the Soviet response to President Reagan's weapons buildup. The CIA estimated that the Soviets have continued the traditional spending increase of only about 1 percent a year that prevailed in the 1970s. But the DIA suggested that Soviet spending on weapons procurement has increased 3 to 4 percent annually since 1981.

In contrast, U.S. spending for weapons procurement has averaged a growth of about 13.3 percent annually since 1981, when Reagan entered the White House, according to a separate study by the Joint Economic Committee.

Even with the U.S. procurement increase and the relatively stable Soviet one, the intelligence report says, Soviet weapons production has greatly outpaced the United States. The Soviets, for example have produced three times as many ballistic missiles, helicopters and tanks as the United States, the report says.

Aides to Proxmire said that the production numbers are misleading because direct comparisons do not take into account the superior quality of U.S. weapons. The United States, they noted, has invested heavily in sophisticated aircraft carriers and other weapons that the Soviets still are using only experimentally.

The intelligence agencies' report generally gives Gorbachev high marks for his initial economic improvement efforts, which include campaigns against corruption and alcoholism and the replacement of several dozen senior economic managers.

Gorbachev's first year in power ended this month with an upswing in the Soviet economy that can be partially attributed to these moves, the report says. It attributes much of the rebound to improved weather that allowed railroads to resume raw-material deliveries, which had been impeded.